

Message Text

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ACTION EB-11

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FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 4377

C O N F I D E N T I A L BUENOS AIRES 8497

E.O. 11652: GDS

TAGS: EFIN, EIND, AR

SUBJECT: WORLD BANK PROJECT-HIDRONOR, CONTINUITY AND PROBLEMS

1. US CITIZEN ENGINEER WHO FOR PAST SEVERAL MONTHS HAS SERVED AS CONSULTANT TO HIDRONOR HAS APPROACHED EMBASSY TO EXPRESS HIS CONCERN OVER MACHINATIONS WITHIN GOA WHICH HE BELIEVES MAY CAUSE DIFFICULTIES TENDING TO BRING ABOUT DISORGANIZATION AND SLOWING OF PROGRESS ON LARGE CHOCON-CERRO COLORADO HYDROELECTRIC AND IRRIGATION PROJECT AND RELATED PLANNED PROJECTS. EMBASSY SOURCES STATES HE HAS BEEN REQUESTED BY JOSE MARIA GUIDO, PAST PRESIDENT OF ARGENTINA AND NOW PRESIDENT OF HIDRONOR, TO COMBAT, IF POSSIBLE, A TAKEOVER MOVEMENT BEING INITIATED BY JUAN TACCONE, NOW CHIEF OF AUTONOMOUS POWER ENTITY, SEGBA, AND D'ADAMO, UNDERSECRETARY FOR PLANNING, WHO, IT IS ALLEGED, ARE PLANNING THE DISMISSAL OF THE PRESIDENT AND ALL OF THE EXECUTIVE COMMITTEE OF HIDRONOR WHICH IS CHARGED WITH THE CHOCON AND FOLLOW-UP PROJECTS. REPORTEDLY, THE PLAN IS TO DUMP THE PRESENT EXECUTIVE COMMITTEE AND FORM A NEW MANAGEMENT, AND PROBABLY A NEW SEMIAUTONOMOUS AGENCY, WHICH WOULD ALLOW INSTALLATION OF NEW OFFICIALS LINKED WITH TACCONE, D'ADAMO AND MINISTER OF ECONOMY GELBARD. ALLEGED PURPOSE IS TO INCREASE SCOPE OF POWER OF TAKEOVER GROUP INDIVIDUALS AND INCREASE OPPORTUNITIES FOR MISUSE OF FUNDS.

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2. US HAS NO DIRECT MAJOR INTEREST AT PRESENT TIME IN QUALITY OF

MANAGEMENT IN HIDRONOR. MAJOR CONTRACTS FOR CONSTRUCTION AND EQUIPMENT ON FIRST PHASE WERE AWARDED TO CONSORTIA WITH LINKS IN BRITAIN AND EUROPE. DISORGANIZATION IN HIDRONOR COULD, HOWEVER, INHIBIT EFFORTS OF US FIRMS TO SECURE FAIR TREATMENT IN FUTURE CONTRACTS WHICH WILL BE OF CONSIDERABLE SIZE.

3. EMBASSY INFORMANT AND, APPARENTLY, EX-PRESIDENT GUIDO, FEELS THAT MAJOR FINANCIAL BACKERS OF CHOCON PROJECT, BRITISH EXPORT CREDIT GUARANTEE GROUP, LAZARD FRERES BANK AND IBRD WILL BE MOST INTERESTED IN REPORTED PLANS OF A POWERFUL TAKEOVER GROUP IN ARGENTINA THAT THREATENS ONCE MORE TO UPSET AND CHANGE MANAGEMENT IN CHARGE OF ORGANIZATION WHICH IS USING LARGE QUANTITIES THESE LENDERS' FUNDS.

4. EMBASSY SUGGESTS DEPARTMENT OFFICERS DISCREETLY INDICATE TO WORLD BANK OFFICIALS THAT WE HAVE INFORMATION ALONG LINES REPORTED AND THAT ENGLISH FINANCIAL INSTITUTIONS HAVE APPARENTLY ALSO BEEN INFORMED. IBRD HAS ALREADY COMMITTED \$82 MILLION TO CHOCON PROJECT AND, WE BELIEVE, CONTEMPLATES OTHER LARGE LOANS FOR ENERGY PROJECTS THROUGH HIDRONOR. THEREFORE, ITS OFFICIALS CANNOT FAIL TO BE INTERESTED IN REPORTS THAT MANAGEMENT SHAKEUP IS AGAIN A PROSPECT. (SEE IBRD DOC. R72-222 OF 9/26/72 AND 577-AR) IF IBRD LOAN CONTRACTS ALREADY EXTENDED TO HIDRONOR CARRY CONDITIONS CALLING FOR IBRD APPROVAL PRIOR TO MODIFICATIONS IN MANAGEMENT, THIS INTEREST WILL BE INCREASED.

5. INFORMATION SUPPLIED TO EMBASSY IS PRIMARILY MEANT TO PROTECT THE INTERESTS AND FUTURE OF HIDRONOR'S PRESENT OFFICIALS (AND THAT OF THE US CITIZEN CONSULTANT). HOWEVER, WE FORWARD IT AS OF HIGH INTEREST TO THE IBRD AND BECAUSE WE BELIEVE CONTINUED STABILITY IN HIDRONOR WOULD WORK TO POSSIBLE BENEFIT OF US CONTRACTORS AND US EXPORTS IN THE FUTURE. WHEN CONVENIENT PLEASE ADVISE EMBASSY CONCERNING REACTION IN WORLD BANK.
KREBS

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